

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

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| IN RE: UNITED CITIES GAS COMPANY | DOCKET NO. TF-01-125 (ECR-96-4 EEP-95-2) |
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ORDER GRANTING WAIVER AND APPROVING TARIFF

(Issued May 18, 2001)

On March 1, 2001, United Cities Gas Company (United Cities) filed with the Utilities Board (Board) its annual reconciliation of energy efficiency cost recovery. United Cities' reconciliation filing included the amount of zero for projected contemporaneous energy efficiency costs in 2001. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection on April 5, 2001. Consumer Advocate in its objection said United Cities had not filed a request to discontinue its plan. The Board on April 5, 2001, issued an order rejecting the filing because the Board had not approved the discontinuance or suspension of United Cities' energy efficiency plan. The Board ordered United Cities to file revised tariffs consistent with the continued implementation of United Cities' energy efficiency plan.

United Cities filed revised tariffs, identified as TF-01-125, on April 27, 2001. The revised tariffs reflect energy efficiency spending levels of \$25,000 for the year 2001. United Cities said this level of spending would allow it to continue payments

for low-income programs, assessments for the Iowa Energy Center and the Center for Global and Regional Environmental Research, and continuing current programs for customers who desire to participate. United Cities said it was reducing spending levels because actual spending from 1998 through 2000 was significantly less than budgeted. Because United Cities has only 5,000 total customers in Iowa, United Cities suggests its market has been saturated because programs have been offered for the past ten years. However, due to the recent increase in natural gas costs, United Cities plans an advertising program to re-educate its customers on the benefits of energy efficiency.

Consumer Advocate filed a response on April 26, 2001. Consumer Advocate did not object to United Cities' filing but said it would monitor the upcoming advertising or promotional efforts to assure that maximum customer participation is achieved.

United Cities proposed spending level of \$25,000 is significantly less than its current budgeted amount of approximately \$78,000. The proposed spending level, however, is in line with the last three years and avoids an overcollection that would be returned to ratepayers with next year's reconciliation.

Pursuant to 199 IAC 35.6(4), a plan modification is necessary for a change in the annual approved budget of more than 5 percent. While United Cities has not filed for a plan modification, the Board on its own motion will waive the rule. The Board recognizes that because United Cities has only 5,000 customers in Iowa, requiring a

formal plan modification could result in legal and administrative costs that would far exceed the plan's annual budget. Requiring such a filing at this time would pose an undue hardship to United Cities and its ratepayers because of the significant expense and the limited time the plan modification would be in effect. The Board in a prior order stated it intends to require all rate-regulated utilities to file new energy efficiency plans and hopes utilities will engage in a collaborative effort to obtain essential assessment information. Interstate Power Company, "Order Extending Filing Date," Docket No. ECR-94-40 (ECR-96-1) (May 14, 2001). A collaborative effort should significantly reduce United Cities' administrative costs to develop a new plan.

Because the Board has waived the requirement of a formal plan modification, the Board will approve the proposed tariff. The Board, while disappointed that spending did not reach previous budgeted levels, is encouraged that United Cities intends to re-educate its customers on the value of energy efficiency. United Cities is cautioned, however, that approval of this reconciliation tariff does not constitute approval of the implementation or results of its energy efficiency plan. The Board at some subsequent date may schedule a prudence review to address these issues.

IT IS THEREFORE ORDERED:

1. The Utilities Board, on its own motion, waives 199 IAC 35.6(4) with respect to United Cities' annual energy efficiency reconciliation filing.

2. Tariff filing TF-01-125 is approved, subject to complaint or investigation.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Sharon Mayer
Acting Executive Secretary, Asst. to

/s/ Diane Munns

Dated at Des Moines, Iowa, this 18th day of May, 2001.